

Highlights

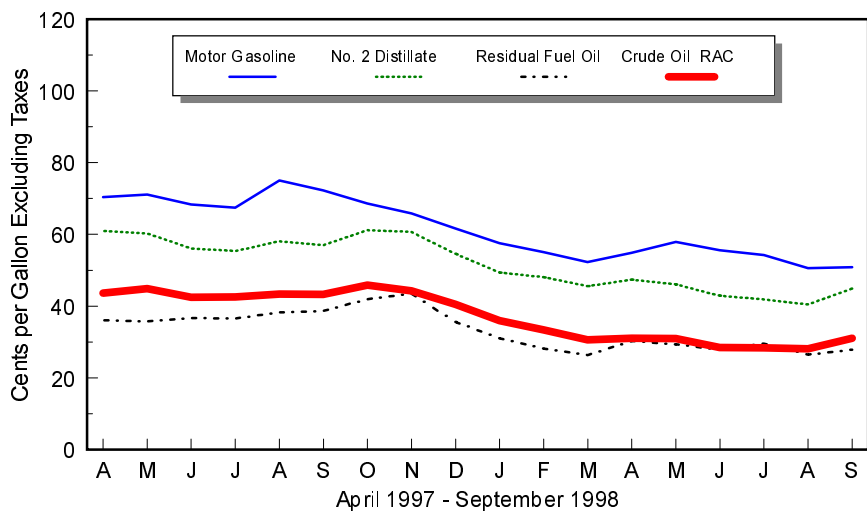
Highlights

Influenced by a number of events, world crude oil prices rose throughout September. Tensions between the United Nations and Iraq over the terms of the weapons inspection program prompted price increases at the start of the month. The latest episode in the trouble-plagued inspection program centered on the Iraqi government's further refusals to allow U.N. inspectors access to several sites for investigation, violating the terms of previous resolutions stemming from the Gulf War. In response, the U.N. Security Council adopted Resolution 1194 on September 9, suspending the 60-day review of sanctions against Iraq established in Resolution 687 (1991). The next review was scheduled to occur in October. In other events taking place in the Middle East, Kuwait hosted two meetings with representatives mostly from various oil-producing Arab states. The intent of both meetings was to identify and discuss additional means of support for crude oil prices outside of further wellhead production cuts. The meetings generated a call for members of the Organization of Petroleum Exporting Countries (OPEC) to continue to adhere to the group's revised production quotas. For the most part, the new quotas have been complied with, and have provided support for prices at a fundamental level. However, the effect of the cuts on market prices has remained tempered by the continuation of less-than-expected rates of demand for petroleum products and poor refining economics in many regional markets. In other areas of the world, severe weather in the North American region throughout the month interfered with normal industry activities, and had noticeable repercussions

on crude oil prices in international markets. Disruptions to loadings at Russian and Nigerian crude oil export hubs caused by a variety of political and technical reasons provided further encouragement to rising prices during the first half of the month.

In the United States, inclement weather was the dominant factor behind rising crude oil and finished product prices in September. Production and transportation facilities in and around the Gulf of Mexico and the Caribbean Sea were affected by five tropical storms or hurricanes striking the area over the course of the month. The most damaging storm, Hurricane Georges, caused considerable flooding along the U.S. Gulf Coast, and hampered recovery efforts at some refining complexes. Disruptions at major ports, particularly at the Louisiana Offshore Oil Port (LOOP), delayed the delivery of crude oil shipments, leading to a significant draw on available stocks in the United States and spurring prices higher. Overall, U.S. crude oil stocks fell 2.3 percent from August's level, the

Figure HL1. Crude Oil and Petroleum Product Wholesale Prices



Sources: Energy Information Administration. Crude oil refiner acquisition cost: Form EIA-14, "Refiners' Monthly Cost Report"; petroleum product prices: Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

Table HL1. U.S. Refiner Prices and Volumes of Petroleum Products

(Prices: Cents per Gallon Excluding Taxes, Volumes: Million Gallons per Day)

Products	Sales to End Users						Sales for Resale					
	September 1998		August 1998		September 1997		September 1998		August 1998		September 1997	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
Motor Gasoline	65.4	65.2	66.7	66.9	87.2	63.8	50.9	299.1	50.6	308.4	72.3	290.8
Conventional	62.6	39.2	63.9	41.1	83.7	39.1	47.8	199.2	47.3	209.8	68.1	200.4
Regular	58.5	27.0	59.8	28.4	80.0	27.9	45.6	150.6	45.0	159.3	66.1	155.0
Midgrade	68.2	6.3	69.6	6.5	89.4	6.2	51.4	15.8	51.0	16.5	72.2	16.4
Premium	75.5	6.0	76.9	6.2	97.5	5.0	56.1	32.8	56.0	34.1	76.8	29.0
Oxygenated	70.1	2.1	70.7	1.9	93.7	2.1	58.3	7.0	57.8	5.6	80.1	4.8
Regular	67.4	1.6	68.3	1.5	91.3	1.6	56.6	5.2	56.4	4.3	78.6	3.7
Midgrade	76.5	0.3	77.1	0.2	100.0	0.2	59.3	1.0	58.9	0.8	82.9	0.6
Premium	85.3	0.2	84.8	0.2	108.1	0.2	68.0	0.8	66.8	0.5	87.4	0.5
Reformulated	69.7	23.9	71.2	23.9	92.6	22.7	57.1	93.0	57.6	92.9	81.7	85.6
Regular	64.7	15.7	66.2	15.6	88.0	15.2	53.4	61.5	53.8	61.4	78.2	57.7
Midgrade	75.2	4.0	76.7	4.0	97.9	3.8	61.6	10.5	62.1	10.9	86.2	10.8
Premium	83.0	4.2	84.4	4.2	106.0	3.7	65.5	20.9	66.6	20.6	90.7	17.1
Aviation Gasoline	94.1	0.2	95.9	0.2	115.6	0.2	89.8	0.7	91.7	0.7	108.9	0.7
Kerosene-Type Jet Fuel	44.9	48.0	43.6	51.5	58.2	51.1	44.6	10.7	42.9	12.4	58.8	10.6
Propane (Consumer Grade)	37.1	2.3	33.5	2.4	48.4	3.1	26.3	31.5	25.7	27.7	39.5	32.4
Kerosene	47.2	0.3	41.5	0.6	63.4	0.3	45.7	1.4	40.7	0.9	60.1	1.9
No. 1 Distillate	NA	NA	NA	NA	61.1	0.2	53.6	0.8	51.3	0.4	67.2	0.9
No. 2 Distillate	49.1	26.1	45.8	25.0	60.4	26.1	44.9	117.7	40.5	115.8	57.0	121.5
No. 2 Fuel Oil	47.4	3.9	43.1	3.7	58.4	2.9	41.8	21.0	36.9	20.9	54.3	27.0
No. 2 Diesel Fuel	49.4	22.2	46.3	21.2	60.7	23.2	45.6	96.7	41.4	94.8	57.8	94.5
Low Sulfur	51.1	15.0	48.0	14.4	62.1	15.5	46.2	82.2	41.7	80.7	58.0	80.5
High Sulfur	46.0	7.2	42.8	6.9	57.9	7.7	42.6	14.4	39.2	14.1	56.9	14.0
No. 4 Fuel^a	39.9	0.3	36.2	0.4	51.1	0.2	36.1	0.1	36.0	0.0	54.1	0.1
Residual Fuel Oil	27.6	13.0	28.7	17.8	41.4	12.9	27.9	17.4	26.5	16.5	38.7	11.8
Sulfur Content not > 1 %	32.4	3.2	32.3	4.8	46.4	2.6	29.9	5.3	26.9	7.2	40.1	5.0
Sulfur Content > 1 %	26.0	9.8	27.4	13.0	40.1	10.3	27.0	12.2	26.1	9.2	37.6	6.9

NA = Not available.

^a Includes No. 4 fuel oil and No. 4 diesel fuel.

Notes: Motor gasoline averages and totals prior to October 1993 include leaded gasoline.

Notes: Values shown for the current month are preliminary. Values shown for previous months are revised. Data are final upon publication in the *Petroleum Marketing Annual*.

Source: Energy Information Administration Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

largest decrease seen thus far in 1998. Finished product prices received significant support from robust crude oil prices and interruptions to refinery operations, despite easing demand for products. Spot market prices for gasoline were also boosted by the seasonal shift to winter-grade RVP product. Further, September gasoline stocks fell 2.4 percent from the August level, intensifying the support for gasoline prices gained from crude oil. However, year-on-year data indicate current gasoline stocks are more than 4 percent higher than at this time last year. A comparison of New York Harbor spot market prices for unleaded regular gasoline shows a range between 59.4 cents per gallon and 70.0 cents per gallon in September 1997, while the range in 1998 was between 38.6 cents per gallon and 46.9 cents per gallon. A similar

level of price disparity affects No. 2 distillate products. Nonetheless, No. 2 distillate prices also responded to the general upward trend of the products complex, and rose even though demand dropped marginally and stocks grew slightly from last month's level. Notably, however, distillate stocks registered a 28.9 percent gain from the year-ago level.

More September market and sales activity for crude oil and the principal petroleum products are summarized in the following sections.

Crude Oil

At Cushing, Oklahoma, the daily spot price for West Texas Intermediate (WTI) crude oil was able to shrug off the influence of brimming stockpiles for the first time in many months, as severe weather compromised crude oil production and transportation activities during September. The month's low, \$13.62 per barrel, was marked on the first day of September. The price continued to rise through the rest of the month, before closing September at \$16.19 per barrel, \$2.57 per barrel higher than where it began the month.

- Monthly average crude oil prices rose in all categories of sales during September. The average domestic crude oil first purchase price climbed \$1.10 (10.8 percent), to \$11.28 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil rose \$1.46 (14.3 percent), to \$11.66 per barrel. The average landed cost of foreign crude oil increased \$1.28 (11.4 percent), to \$12.55 per barrel.
- The monthly average refiner acquisition costs for domestic crude oil increased 95 cents (7.6 percent), to \$13.40 per barrel. The average cost of imported crude oil to U.S. refiners climbed \$1.47 (13.0 percent), to \$12.81 per barrel. The composite refiner acquisition cost of crude oil increased \$1.26 (10.7 percent), to \$13.05 per barrel.

Petroleum Products

Motor Gasoline

The daily spot price for unleaded regular gasoline at New York Harbor rose substantially during September, albeit in a more volatile manner than other products' prices. The price opened at 39.1 cents per gallon and tentatively rose before falling to the month's low of 38.6 cents per gallon on September 9. At mid-month, the price spiked as the switch to winter-grade RVP product occurred, in addition to weather-related factors that affected the market as a whole. After further substantial gains in the second half of the month, the price closed at its high of 46.9 cents per gallon, 7.8 cents higher than where it began September.

- September monthly average gasoline prices show only marginal changes from August levels. The

average price for motor gasoline retail sales by refiners fell 1.3 cents to 65.4 cents per gallon, while the average wholesale price rose 0.3 cent to 50.9 cents per gallon. Including data reported by a sample of motor gasoline marketers, the national average retail price at company-operated retail outlets decreased 1.2 cents to 64.0 cents per gallon. The average wholesale price rose 0.3 cent to 51.3 cents per gallon. The average dealer tank wagon (DTW) price decreased 0.4 cent to 58.9 cents per gallon. The average rack price rose 0.8 cent to 48.6 cents per gallon. The average bulk sales price remained flat at 42.8 cents per gallon. The margin between reformulated and conventional gasoline prices was 4.6 cents at retail, and 7.2 cents at wholesale. The spread between conventional and oxygenated gasoline prices was 7.3 cents at retail, and 9.5 cents at wholesale.

- Finished motor gasoline sales by refiners decreased across the board in September. Total sales dropped 11 million gallons per day (2.9 percent), to an average of 364.3 million gallons per day. Retail sales declined 1.7 million gallons per day (2.5 percent), while wholesales fell 9.3 million gallons per day (3.0 percent). Rack sales accounted for 63.3 percent of total wholesales, while DTW and bulk sales made up 24.2 percent and 12.5 percent, respectively. Reformulated gasoline (RFG) made up 32.1 percent of total motor gasoline sales, while oxygenated gasoline explained 2.5 percent of sales.

No. 2 Distillate

By and large, the September daily spot price for No. 2 heating oil at New York Harbor followed the rising pattern set by crude oil. The market's opening price of 35.1 cents per gallon also proved to be the low for September. The price increased throughout the month, encountering few setbacks and often reducing the margin of difference between it and prices for other major finished products. Closing at its high of 43.3 cents per gallon, the price ended September 8.2 cents higher than where it began the month.

- September monthly average prices for No. 2 distillates rose in all categories. The national average residential price rose 1.7 cents to 77.2 cents per gallon, while the average wholesale price climbed 4.2 cents to 45.5 cents per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets increased 1.9 cents, while the average wholesale price rose 4.0 cents. The margins be-

tween low- and high-sulfur diesel fuel prices were 1.0 cent at retail and 2.5 cents at wholesale.

- Refiner sales of No. 2 distillate grew in September. Total sales increased 3.2 million gallons per day (2.3 percent), to 143.8 million gallons per day. Sales of No. 2 fuel oil rose 300,000 gallons per day (1.2 percent), while sales of No. 2 diesel fuel climbed 2.9 million gallons per day (2.5 percent). Low-sulfur diesel fuel sales made up 81.7 percent of all refiner diesel fuel sales, and 67.6 percent of all refiner No. 2 distillate sales.

Residual Fuel Oil

- September monthly average residual fuel oil prices were mixed. Refiner prices for low-sulfur residual fuel inched up 0.1 cent to 32.4 cents per gallon at retail, but grew more substantially at wholesale, rising 3.0 cents to 29.9 cents per gallon. Refiner high-sulfur residual fuel prices fell 1.4 cents to 26.0 cents per gallon at retail, but rose 0.9 cent to 27.0 cents per gallon at wholesale. Including data reported by the sample of residual fuel oil marketers, the average low-sulfur price dropped 0.5 cent to 32.0 cents per gallon at retail, and increased 2.3 cents to 29.9 cents per gallon at wholesale. The average price for high-sulfur residual fuel oil fell 1.4 cents to 26.3 cents per gallon at retail, but rose 0.6 cent to 27.1 cents per gallon at wholesale.

- Residual fuel oil sales by refiners were down again during September. Total sales decreased 3.9 million gallons per day (11.4 percent), to 30.4 million gallons per day. Low-sulfur residual fuel sales dropped 3.5 million gallons per day (29.2 percent), while high-sulfur residual fuel sales declined 200,000 gallons per day (0.9 percent).

Other Products

- September prices for products included in this section were mixed. Refiner propane prices rose 3.6 cents per gallon at retail, but fell 0.6 cent at wholesale. Including the sample of propane marketers, the average residential propane price dropped 0.2 cent per gallon. The average end-user and wholesale prices for propane rose 0.9 cent per gallon and 0.4 cent per gallon, respectively. Kerosene-type jet fuel, kerosene prices increased at both levels. Aviation gasoline fell at both levels while No. 1 distillate rose at wholesale.
- Sales of these products were varied in September. Propane, kerosene and No. 4 distillate sales fell at retail but rose at wholesale. Sales of kerosene-type jet fuel and aviation gasoline fell at both levels. Retail sales of No. 1 were up moderately.